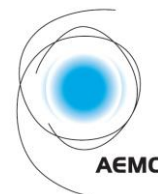


Minutes of technical workshop on DWGM improvement to AMDQ regime and DWGM simpler wholesale price 3 February 2020



The technical workshop was held via phone and video conference on 3 February 2020. The attendees of the meeting are listed below.

Name	Organisation
Roger Shaw	AEMO
Nicholas Pope	AEMO
Luke Garland	AEMO
Max Hooper	AER
Kieran O'Leary	AGL
Andrew Godfrey	Alinta Energy
Melissa Perrow	Brickworks Limited
Ishara De Silva	EnergyAustralia
Sarah Kok	ERM Power
Ee Siew Ong	Lochard Energy
David Headberry	Major Energy Users (MEU)
James Shead	Meridian/Powershop
Louise Colbran	Origin
Raif Sarcich	Victorian Department of Energy, Land, Water and Planning
Amanda Seaton	Seaton Legal (commissioned by the AEMC)
Katherine Lowe	Axiom Economics (commissioned by the AEMC)
Hans Ihle	NERA (commissioned by the AEMC)

The AEMC staff that attended the workshop are listed below.

Name	Organisation
David Feeney	Executive General Manager – Retail & Wholesale Markets
Owen Pascoe	Director – Retail & Wholesale Markets
Daniela Moraes	Senior Adviser – Retail & Wholesale Markets
Ryan Esplin	Economist
Jessica Scranton	Lawyer

The AEMC organised this technical workshop to discuss the proposed auction design for capacity certificates (DWGM improvement to AMDQ regime - GRC0051) and some minor rule drafting issues (DWGM simpler wholesale price - GRC0049).

At the start of the technical workshop the 'competition health warning' from the AEMC's competition protocol for the working group was read out. Copies of the protocol (attached) were distributed electronically to participants prior to the workshop.

Owen Pascoe opened the meeting and provided an overview of the rule change processes and the agenda for this technical workshop.

DWGM improvement to AMDQ regime (GRC0051)

- Katherine Lowe (Axiom) gave an overview of what the draft rule determination provided for in relation to capacity certificates auction design, including:
 - Auction product: product to be auctioned, product tenures, zones
 - Auction design: auction format, reserve price, pricing rule, auction quantities, auction revenue
 - AEMO's role: conducting the auction, determining the location of zones and products available in each zone, determining the auction quantities, developing procedures and notices.

Tenure of the auction product

- Hans Ihle (NERA) explained the pros and cons of adopting a single tenure product (monthly) versus a multiple tenure product. He then moved on to explain the differences of partial and fully combinatorial auctions and why the partial combinatorial auction would be the most appropriate solution in this case. He also noted that this is the format used in the day-ahead auction (DAA) and the settlements residue auction (SRA), which most market participants are familiar with.
- Hans also provided a stylised example on how a single tenure partial combinatorial auction could operate over time and explained that auction is the best method to allocate scarce resources.
- The AEMC noted that the monthly tenure would allow market participants to sculpt their needs, rather than being required to purchase the product over long-term. It allows much greater tailoring than the current five-year AMDQ cc products.
- Feedback on product tenure: ERM Power and Lochard Energy expressed their support for a monthly tenure. The other participants did not express their preferences. MEU, Brickworks and Origin suggested that the auction design appear to be a complex solution for a tie-breaking problem that doesn't occur very often. Brickworks requested more thought be given to tie-breaking benefits staying with Tariff D customers rather than being auctioned. MEU suggested a use it or lose it approach for Tariff D tie-breaking benefits.
- Feedback on auction frequency: most stakeholders noted that they do not want the auction to be conducted monthly, but they thought it needed to be conducted frequently enough and with enough of a lead time for market participants to manage their contract requirements.
- Feedback on constraints on the release of short versus longer-dated products: participants discussed the need for short and longer-term products. EnergyAustralia noted that it thinks that more than 50 per cent should be allocated to longer-term.

Allocation of capacity certificates to system points

- Katherine Lowe (Axiom) provided an overview of two options - pure zonal basis and hybrid zonal-system point basis - to auction capacity certificates and explained the pros and cons of each method.
- There were mixed views from stakeholders, with some preferring the certainty of allocation to a system point and others noting the importance of having flexibility within a zone.
- EnergyAustralia requested a worked example for the South West Pipeline to be provided, as it may aid the understanding of the differences between the two options.

What should be specified in the rules versus the procedures

- MEU noted its preference for giving AEMO more flexibility to do things through procedures, rather than fixing things in the rules.
- Katherine Lowe (Axiom) observed that an alternative solution could be for the AEMC to require AEMO to conduct a review of arrangements after two years, or for the AEMC to use the biennial liquidity review for that.

DWGM simpler wholesale price rule change (GRC0049)

Congestion uplift framework

- The AEMC asked participants about the possible approach of deleting the requirements for AEMO to:
 - consider if ancillary payments are attributable to a “transmission constraint” (as defined in rule 200) in the uplift payment procedures
 - determine and publish the extent (measured in GJ) to which transmission constraints are caused by the failure of the declared transmission system service provider (DTS SP) to fulfil its obligations under its service envelope agreement.
- The AEMC explained that all ancillary payments must be recovered through uplift payments regardless of whether they are attributed to a transmission constraint.
- ERM Power agreed and AEMO clarified that it would continue to provide the breakdown of uplift payments and amounts (in GJ) according to each category of uplift.

Next steps

- MEU noted that the working group participants have provided several observations throughout the consultation process and asked whether the AEMC would make any changes to the policy based on the feedback provided to date.
- The AEMC noted that it will take all the feedback on board and that the Commission will decide based on the national gas objective and the long-term interest of consumers. It wrapped up by noting that final decisions will be published on 12 March, with a final rule and determination.

Australian Energy Market Commission

Working group protocol

Context and purpose

The AEMC is establishing a working group with energy industry members to discuss two DWGM rule changes (GRC0049 and GRC0051) currently being considered by the Commission.

The Working Group is committed to complying with all applicable laws, including the *Competition and Consumer Act 2010 (CCA)*, during these discussions. Breach of the CCA can lead to serious penalties for members and for individuals involved in any breach (including large financial penalties and potentially also imprisonment for key individuals involved).

This Protocol governs the way in which Working Group discussions will proceed, and the Working Group agrees to adhere to this protocol in order to ensure compliance with the CCA.

Key principles

The purpose of this Working Group is solely to discuss potential issues for the Commission's further consideration.

Each member **must make an independent and unilateral decision** about their commercial positions and approach in relation to the matters under discussion in the Working Group.

This Working Group **must not discuss, or reach or give effect to any agreement or understanding*** which relates to:

- **pricing** for the products and/or services that any member supplies or will supply, or the terms on which those products and/or services will be supplied (including discounts, rebates, price methodologies etc).
- **targeting (or not targeting) customers** of a particular kind, or in particular areas.
- **tender processes** and whether (or how) they will participate
- any decision by members:
 - about the purchase or supply of any products or services that other members also buy or sell
 - to not engage with persons or the terms upon which they will engage with such persons (i.e. boycotting); or
 - to deny any persons access to any products, services or inputs they require.
- **sharing competitively sensitive information** such as non-publicly available pricing or strategic information including details of customers, suppliers (or the terms on which they do business), volumes, future capacity etc
- **breaching confidentiality obligations** that each member owes to third parties.

* An "understanding" does not have to be formal; a "nod and a wink" is enough if one party commits to act in a particular way.

Communication & meeting guidelines

Members must ensure that **all communications** (including emails and verbal discussions) adhere to the Key Principles. All meeting between Working Group members should be conducted in accordance with the following rules:

- Agree and circulate an agenda in advance of each meeting. The content of each agenda should not include anything that could contravene the Key Principles set out in this Protocol, and try to avoid "any other business" agenda items.
- Ensure all members understand ahead of the meeting that any competitively sensitive matters must be subject to legal review before any commitment/agreement can be given.
- The below 'competition health warning' is read and minuted at any meetings or conference calls:
 - Attendees at this meeting must not enter into any discussion, activity or conduct that may infringe, on their part or on the part of other members, any applicable competition laws. For example, members must not discuss, communicate or exchange any commercially sensitive information, including information relating to prices, marketing and advertising strategy, costs and revenues, terms and conditions with third parties, terms of supply or access.*
 - For any new attendees – please note that participating in these discussions is subject to you having read and understood the Protocol including the Key Principles. If you have not yet done so, please do so now.*
- Accurate minutes are kept of all meetings, including details of attendees.
- If something comes up during a meeting that could risk contravening any Competition Laws, attendees should:
 - Object immediately, and ask for the discussion to be stopped.
 - Ensure the minutes record that the discussion was objected to and stopped.
 - Raise concerns about anything that occurred in the meeting with their respective legal counsel immediately afterwards.
- Any decision about whether, and on what terms, to engage with customers and suppliers is an independent and unilateral decision of each member.